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SUBJECT: BULGARIA SIGNS EU ACCESSION TREATY, BUT MUCH WORK REMAINS

SENSITIVE

[11](#). (SBU) SUMMARY: Bulgaria signed the EU Accession Treaty on April 25 paving the way to join the Union on January 1,

[12007](#). The Bulgarian government plans immediate submittal of the treaty to Parliament for ratification prior to the late May election recess. Despite Bulgaria's solid progress and early completion of negotiations, the EU continues to emphasize its problems in the areas of rule of law, corruption and organized crime. The Commission will likely be watching Bulgaria closely and has reserved the right to delay entry if its accession commitments are not met. There is strong domestic political consensus, however, on Bulgaria's EU accession, and political parties have agreed to push forward necessary reforms. The only point of contention on the Bulgarian side remains Bulgaria's unpopular commitment to a portion of the Kozloduy Nuclear Power Plant as a condition of entry. END SUMMARY.

EU ACCESSION TREATY SIGNED IN LUXEMBOURG: WHAT'S NEXT?

[12](#). (SBU) Following the assent of the European Commission, Bulgaria signed the EU Accession Treaty on April 25, 2005, in Luxembourg. Prime Minister Simeon Saxe-Coburg Gotha, President Georgi Purvanov and the Foreign Affairs and European Affairs Ministers all signed the Treaty, which provides for accession on January 1, 2007, and sets out the terms and conditions of Bulgaria's membership. PM Saxe-Coburg hopes the landmark event will boost the ruling party's chances in the June general elections, for which polls show the ex-king's party trailing the opposition Socialists.

[13](#). (SBU) Bulgaria and the current EU states must ratify the treaty before January 1, 2007. The Bulgarian Parliament has said it will do so before the June general elections. This self-imposed deadline is for domestic political purposes only, although it could help kick off the process for other Member States. While some EU member countries -- Luxembourg and Cyprus -- have declared their intention to ratify the Treaty as soon as it is signed, the entire process could take up to a year. The government has talked about holding a referendum in Bulgaria on the country's EU accession, but disagreements regarding the timing of a referendum have so far blocked any decision.

CHALLENGES AHEAD, BUT ACCESSION DELAY SEEMS UNLIKELY

[14](#). (SBU) The underlying work needed for Bulgaria's accession in 2007 is not yet complete. The EU has identified the lack of judicial reform as the greatest threat to successful accession, saying that the Bulgarian government must make solid efforts to reform the judiciary and step up the fight against corruption and organized crime. In view of this shortcoming, the government's top priority is the approval of a new Penal Procedure Code that will increase the effectiveness of criminal investigations, clarify the pre-trial phase and speed up penal procedures. This is unlikely to occur before Parliament dissolves in late May for the general elections. However, this and other laws related to EU accession will top the agenda of the next Parliament, which must act in time for the November Comprehensive Monitoring Report.

[15](#). (SBU) If Bulgaria does not fulfill its accession commitments, the Commission may invoke the safeguard clauses provided for in the Treaty. If accepted unanimously by the Council, this could delay accession by one year. Despite EC and Member State officials' threats to invoke the safeguard clause if conditions are not met, there is no indication at this point that Bulgaria's accession is in danger of delay.

[16](#). (SBU) To ensure compliance with accession commitments, the Commission has started an intensive, rolling monitoring exercise through peer reviews and committees. This should culminate in the Comprehensive Monitoring Report, to be issued by the Commission on November 9th. The report will assess progress made up to September 30 this year and highlight remaining shortcomings, if any. The European Parliament has reserved the right to participate in the monitoring process.

17. (SBU) While publicly fairly confident Bulgaria will enter as scheduled, Meglena Kuneva, Minister for European Affairs, privately told us she is concerned outside factors could affect Bulgaria's chances. First is overall enlargement fatigue, which is growing within the EU, especially in Germany. Second is the unspoken understanding within many EU states that neither Bulgaria nor Romania are especially desirable countries, coming with economic and structural problems that will burden the EU for many years. Third, delaying Bulgaria's (and Romania's) entrance would send a very effective message to Croatia and Turkey that the EU is serious about maintaining its standards. Finally,

Bulgarian officials also fear the EU might link their entry to Romania's, and any delay of reforms north of the Danube would also prejudice Bulgaria's entry.

ADVANTAGES AND DISADVANTAGES TO BULGARIA

18. (SBU) Bulgarian officials maintain that strengthening the rule of law, joining a bigger and more integrated market, improving the regulatory environment, and removing trade barriers will contribute to economic growth and spur greater foreign investment. An open border with Greece will be one of the most visible, immediate benefits. Another boon for Bulgaria will be the EU's financial assistance. Bulgaria will receive much more money from the EU budget than it will pay: 4.5 billion euros between 2007 through 2009, while its annual contribution to the EU is estimated at 300,000 euros for the same period.

19. (SBU) On the economic front Bulgarian companies are unlikely to withstand competition from Western European firms. Bulgarian business representatives voice concerns over the EU's "impossible-to-meet" standards and requirements. In particular, meeting environmental standards could prove daunting. Equally important, local farmers will be hurt by the EU's agricultural policy. Another negative effect associated with the EU accession is the possibility of ever-greater inflation of already-rising real estate prices as richer EU citizens push up demand for properties in Bulgaria. Regardless of EU membership, experts project Bulgaria will continue to experience demographic problems: decreasing birth rate, growing mortality rate, economic migration, and shortage of quality labor.

PUBLIC FAVORS EU ACCESSION

110. (SBU) Bulgarian opinion about the EU is predominantly positive, in part due to Minister Kuneva's six month EU-Accession campaign in small cities and towns, but is expected to slump a bit as citizens become more aware of membership obligations. The April survey conducted by the International Republican Institute indicates 76 percent are in favor of Bulgaria's EU membership. A survey conducted by the parliamentary National Center for the Survey of Public Opinion shows that 61 percent believe EU membership will help Bulgaria improve its standard of living.

111. (SBU) The survey also finds unrealistic expectations:
--SALARIES: 36 percent believe salaries will increase substantially after Bulgaria joins the EU. One in two Bulgarians expect that the minimum monthly salary will quickly exceed 250 euro, from the current 77 euro level.
--PENSIONS: 34 percent expect higher pensions;
--UNEMPLOYMENT: 38 percent say unemployment will drop, while six in 10 are confident they will not have to leave Bulgaria to work in another EU country after 2007.

112. (SBU) The survey also shows that Bulgarians have only limited knowledge of the EU and Bulgaria's accession obligations. Forty-seven percent don't know whether Bulgaria has completed EU negotiations and 75 percent are not familiar with EU obligations.

113. (SBU) On the negative side, ordinary Bulgarians are upset about the forced closure of Kozloduy Nuclear Power Plant as a condition of entry. Bulgarians see Kozloduy as a sign of the country's technological prowess. In addition, the plant employs a large number of people in one of the most depressed areas of the country. The issue is being used as a political football in the current election season, and it is far from clear whether Bulgaria could be successful in reversing this decision.

114. (SBU) COMMENT: Acceding to the EU on January 1, 2007, is Bulgaria's top foreign policy objective. Despite the seriousness of the outstanding rule of law issues, it is unlikely the EU will delay Bulgaria's accession. Bulgarian political parties have teamed up to push forward reforms and implement accession commitments. The government of PM Saxe-Coburg Gotha capitalized on the date for signing the treaty just two months ahead of the general elections in order to boost its election profile and ride the positive public

opinion about the EU. Leading members of his party are holding celebrations of the signing in their election districts today. Average Bulgarians may be over-optimistic about what the EU can do for them, but it is clear that despite the many problems that remain here, the country is heading in the right direction -- in large part due to the EU Accession process. END COMMENT.